

IDAHO DEPARTMENT OF INSURANCE

FY 2005-2008

STRATEGIC PLAN

July 1, 2004

**Mary L. Hartung,
Director
Idaho Department of Insurance**

IDAHO DEPARTMENT OF INSURANCE

FY 2005-2008

STRATEGIC PLAN

TABLE OF CONTENTS

Introduction

Mission Statement

Vision Statement - Operating Philosophy

Issues/Challenges - External Factors

Four-Year Department Goals

Objectives, Strategies and Performance Standards

Company Activities Bureau

Consumer Service Bureau

State Fire Marshal

Administration – Director's Office and Supporting Services Bureau

Program Evaluation

INTRODUCTION

The Department of Insurance is a regulatory agency created to regulate the business of insurance in Idaho. State regulation of Idaho's insurance business began in 1901 and in 1961 the present Department of Insurance was created. When the Executive branch of state government was reorganized in 1974, the Department of Insurance became one of twenty major departments of the Executive branch. The director of the department is appointed by the governor and is subject to confirmation by the state senate.

The first, and perhaps the most significant, part of the strategic plan is our Mission Statement that identifies what we do and why we do it. It is a reminder of the purpose of the Department. The Vision Statement provides the reader with a description of how we see the future. Our Operating Philosophy describes how we deal with the people of the state and with each other.

Our Department's goals are the general ends toward which we direct our efforts. They address issues by stating policy intention. The Objectives are clear short-term targets for specific action. They mark quantifiable interim steps toward achieving our long-range mission and goals. Objectives are measurable, time-based statements of intent. They emphasize the expected results of our work at the end of FY 2005. Outcome Measures are gauges of the actual impact or effect of our work upon the objectives. They are tools to assess the effectiveness of our performance and the public benefit derived. Output Measures are indicators to count the services we produce. The number of people receiving services or the number of services delivered is often used as measures of output.

At the end of our plan, we explain how we will evaluate results and make revisions to the plan based on those results and changing circumstances.

MISSION STATEMENT

The mission of the Department of Insurance is to equitably, effectively and efficiently administer the Idaho Insurance Code and the International Fire Code.

The Department fulfills its mission and duties through three regulatory bureaus and an administrative group consisting of the director's office and the supporting services bureau.

- **Company Activities Bureau:** This bureau monitors the financial condition of all insurance entities conducting business in the state of Idaho to assure that each complies with Idaho law and that the financial obligations of the company to its policyholders will be met. The bureau also reviews insurance policy rates and forms and collects and audits all insurance premium tax returns.
- **Consumer Services Bureau:** This bureau licenses producers and administers the applicable continuing education program for the resident producers, in addition to licensing third party administrators, adjusters and managing general agents. The bureau analyzes consumer and industry complaints and provides assistance to consumers, the insurance industry and law enforcement agencies on matters involving insurance contracts and potential violations of the Insurance Code and criminal fraud. Information, counseling and assistance are provided to Idaho's senior citizens through a network of over 300 senior citizen volunteers and a toll free 800 number.
- **State Fire Marshal:** The State Fire Marshal's office participates in and coordinates an integrated statewide system designed to protect human life from fire and explosions through fire prevention, investigation, and public education activities. The program involves fire prevention activities, fire/arson investigations, code enforcement and the operation of the Idaho Fire Incident Reporting System.
- **Administration Group:** The director is responsible for the overall policy direction and management of the Department of Insurance. The Supporting Services Bureau provides the fiscal management, data processing, purchasing and personnel functions for the Department of Insurance.

VISION STATEMENT

The insurance industry is rapidly evolving to meet the demands of intense competition for business in a more integrated financial services industry. The recently enacted federal Financial Services Modernization Act allows financial services holding companies to own both banks and insurers. It also mandates that states work toward greater uniformity and reciprocity in their laws affecting insurers. We envision that this new law will result in new types of insurance products offered by both banks and insurers as direct competition increases among financial services providers. It will also present many new regulatory challenges. These challenges will call for particular care in assuring equitable enforcement of the insurance statutes across all segments of the financial services industry, and will require cooperation and information sharing between the Department of Insurance and federal agencies charged with regulating banks and other segments of the financial services industry. The availability of affordable health insurance and managed care products will continue to be a paramount issue for consumers in Idaho. The Department will continue in its role of implementing and enforcing state and federal initiatives aimed at addressing the affordability, availability and quality of health coverage. State and federal legislation facilitating Internet business transactions will open the door to the sale of insurance and other financial products over the Internet, as well as electronic forms filing and fee payments. These changes will result in increasingly complex regulatory challenges and will demand a higher level of effectiveness and efficiency in the business of insurance regulation. In order to accomplish this result, the Department of Insurance and the insurance industry will be required to cooperate to create a more focused regulatory system that will allow more sophisticated intra-department and interstate analysis of the insurance industry and its markets. This system will improve services to both the consumer and the industry.

OPERATING PHILOSOPHY

In all areas of our work, the interests and aspirations of the people of Idaho come first. The Department is committed to provide quality regulatory service in an atmosphere that is rewarding to the people who work here. We are a team. We manage our resources in an effective and efficient manner. Each member of the team is equally valued and respected. All have an equal opportunity to be heard and to succeed. We are open, responsive, honest, inquisitive, and decisive. The actions and conduct of team leaders should inspire respect and admiration from the internal staff and all public sectors.

ISSUES/CHALLENGES - EXTERNAL FACTORS

We believe that the major challenges for the Department, consumers and insurance industry will result from:

- The increasing population of the state - which will require more resources to be allocated to insurance fraud, arson, fire prevention, and direct consumer services.
- Continued concern over the availability, affordability and quality of health insurance and managed care plans.
- Protecting insurance consumers' personal health and financial information.
- Adapting to increasing federal regulation of the business of insurance.
- Implementing, enforcing and educating consumers on annual changes in Federal Medicare and Medicare Supplemental insurance requirements.
- Increasingly sophisticated life insurance products that combine traditional insurance protection with investment characteristics.
- Challenges to property and casualty insurers caused by fraud, natural disasters, and litigation involving innovative claims.
- Technology advances have created challenges in the title insurance industry with regards to marketing and selling of title insurance products from centralized sources outside of the state without utilizing licensed Idaho title agents.
- Local fire authorities have the ultimate responsibility for compliance with Fire Codes. Increasing demands for local fire related services, which will increase the demands for services such as training, fire investigations and inspections, provided to local entities by the State Fire Marshal.
- Increasing requests for more detailed information by the National Fire Information Council.
- Federal legislation that requires national standardization of insurance producer licensing laws, rules and procedures.
- Regulating the use of the Internet for insurance sales.
- Implementing procedures and systems for electronic forms filing and fee payments.
- Should the need arise, carrying out the Department's mandated responsibilities under Executive Order 2000-04, in dealing with natural disasters, acts of terrorism, the use of weapons of mass destruction or other catastrophe.

FOUR-YEAR DEPARTMENT GOALS

To meet the challenges faced by consumers and the insurance industry over the next four years, the Department has established four primary goals:

1. To improve the effectiveness of the Department's system for providing accurate information, counseling, and assistance to the people who purchase and use insurance products or the services of the State Fire Marshal in Idaho.
2. To reduce the cost and improve the quality and effectiveness of the regulation of the insurance industry and the administration of the Fire Code.
3. To provide the Department of Insurance with the technological infrastructure, training and support required by current and future intrastate and interstate regulatory functions.
4. To promote a healthy insurance market in the state of Idaho.

OBJECTIVES, STRATEGIES AND PERFORMANCE STANDARDS

COMPANY ACTIVITIES BUREAU

Objective: *To monitor the condition of domestic, foreign and alien insurers.*

Strategies:

- Communicate with insurers to ensure a more complete understanding of analysis and examination objectives and standards.
- Provide high quality, timely and comprehensive analysis and examinations of the financial condition and market practices of all domestic insurers and selected foreign and alien insurers.
- Effectively use intra-department resources and NAIC support to enhance the effectiveness of and reduce the cost and increase the quality of examinations and analysis.
- Maintain communication with the insurers in order to understand changes in financial position and /or operational practices that have /might have an effect on the operational health or the insurance company or prove to be detrimental to the insurance buying public.

Outcome measures:

- Maintenance of the NAIC accredited status for the Department of Insurance.
- The timeliness and quality of analyses and analysis driven examinations.
- The timeliness and quality of examinations.

Output measures:

- Maintain an accredited status for the Idaho Department of Insurance as determined by the NAIC.
- The number of analysis completed.
- The number of examinations completed.

Objective: *To process admission applications in an effective and timely manner in order to admit financially sound insurers and other related entities that will offer quality insurance products and services to Idaho residents.*

Strategies:

- Utilize the Uniform Certificate of Authority Application process (UCAA) as much as possible.
- Monitor and update Idaho's state specific admission procedures to ensure relevancy while still maintaining standards and requirements under Idaho Code.
- Place a high priority on the approval of applications from entities that are financially sound and have a track record of service to customers.
- Evaluate an applicant's financial soundness and the products and services offered on a stand-alone basis.

Outcome measures:

- Maintain the time for approval or denial of by the Department within thirty days after an application is deemed complete and all admission requirements have been met.
- Monitor new admissions for one year with respect to solvency and consumer complaints.

Output measures:

- The number of applications approved or disapproved by the Department within thirty days of receipt of a completed application.
- The number of applications licensed, listed or approved within thirty days of receipt of a complete application.
- The number of companies that are suspended within one year of admission.
- The number of consumer complaints within one year of admission.

Objective: *To maintain an effective file and use system for insurance policy rates and forms.*

Strategies:

- Maintain priorities for the review of policy forms.
- Coordinate form review with information and consumer problems identified by other Department sections.
- Provide a timely analysis of the effect of new policy forms on consumers and on the financial condition and probable market conduct of domestic, foreign and alien insurers.
- Require revisions of forms and rates to meet statutory requirements.

Outcome measures:

- The effective maintenance of a set of priorities.
- The timeliness of reviews and analysis.

Output measures:

- The number of rates and forms filed.
- The number of analyses provided.
- The number of rates and forms reviewed.

Objective: ***To efficiently collect and account for premium taxes and audit tax and fee returns.***

Strategies:

- Monitor the process for auditing returns.
- Simplify the process where possible.
- Provide revenue and data reports.

Outcome measures:

- Number of returns needing an audit.
- Revenues generated and costs incurred by audits.
- Amount of fees and taxes collected.

Output measures:

- The number of returns filed.
- The number of returns audited.
- The amount of tax and fees collected.

CONSUMER SERVICE BUREAU

Objective: *To efficiently license insurance producers.*

Strategies:

- Assist producers in the licensing process.
- Simplify and standardize the licensing policies and procedures where possible.
- Continue the conversion of licensing to an electronic process.
- Standardize and improve the continuing education course approval process to encourage a greater participation by course vendors.
- Monitor continuing education compliance.
- Participate in the NAIC project to create a nationwide electronic licensing process.

Outcome measures:

- Licenses processed with a minimum of time and cost.
- The satisfaction of licensees and companies with the ease of the licensing process.

Output measures:

- The number of producer license applications and appointments filed.
- The number of producer licenses approved, denied or revoked.
- The number of continuing education courses for which approval is sought.
- The number of continuing education courses analyzed and approved.

Objective: ***To provide an effective forum for the analysis and resolution of consumer and industry inquiries and complaints.***

Strategies:

- Assist consumers in resolving controversies with their insurers.
- Assist insurers and producers in resolving intra-industry disputes.
- Provide information to consumers and the insurance industry.
- Provide enhanced accessibility to consumers on a statewide basis.

Outcome measures:

- The number of responses to inquiries.
- The number of controversies resolved or referred to third parties.
- The amount of information provided.
- Customer satisfaction.

Output measures:

- The number of inquiries received and the number of responses.
- The number of controversies reported and resolved or reviewed.
- The number of outreach visits and insurance presentations made to consumers and the insurance industry.

Objective: ***To deal appropriately with allegations of violations of the Insurance Code involving market practices.***

Strategies:

- Monitor the marketing activities of insurance companies and their agents.
- Provide a timely analysis of insurance market practices.
- Investigate potential violations.
- Refer matters for administrative and civil actions for violations.
- Improve identification of market practices by assisting in the development of a computer program that will render company premium to complaints ratios.

Outcome measures:

- Number of complaint files investigated and closed.
- Number of cases recommended for administrative and civil actions.
- Number of consent and stipulated agreements.
- Monetary value of benefits or premium recovered for the public.

Output measures:

- Number of complaints opened and telephone inquiries received.
- Number of administrative and civil actions taken for violations.

Objective: ***To develop a statewide program to investigate allegations of insurance fraud.***

Strategies:

- Identify the extent to which insurance fraud is a problem in Idaho.
- Work with the Idaho insurance industry to create procedures for industry identification of insurance fraud.
- Work with the Idaho county prosecutors to improve the acceptance of fraud cases for prosecution.
- Work with state, county and local law enforcement agencies to create a unified system for investigating insurance fraud.
- Work with the insurance industry to increase public awareness that fraud is a crime that causes them to pay higher premiums.
- Increase public awareness of the need to report incidents of insurance fraud.
- Investigate alleged violations of the Idaho Insurance Code.
- Document investigations unit policies and procedures and investigator training.

Outcome measures:

- Number of completed investigations referred and accepted for prosecution.
- Number of administrative actions and criminal prosecutions.
- Monetary value of savings to the industry and or public due to administrative actions or criminal prosecutions.

Output measures:

- Number of cases referred to the Department by industry and other law enforcement agencies.
- Number of reported cases evaluated and/or investigated.
- Training Presentations given to the industry, public and law enforcement agencies.

STATE FIRE MARSHAL

Objective: *To provide a statewide program for fire prevention.*

Strategies:

- Assist other units of government upon request by inspecting buildings and building plans for compliance with Fire Code.
- Assist local fire departments upon request with prevention, investigation and public education efforts.
- Provide training in fire prevention techniques upon request.
- Review plans of State buildings as required by Idaho Code.
- Coordinate / Facilitate fire prevention programs on a statewide basis.

Outcome measures:

- Assistance provided.
- Training provided.

Output measures:

- Number of inspections and plans reviews requested and completed.
- Assistance requested and provided.
- Training requested and provided.

Objective: ***To investigate fires and assist in the prosecution of arson claims at the request of local units of government.***

Strategies:

- Investigate fires to determine cause and origin.
- At the request of other agencies, provide training in fire investigation techniques.

Outcome measures:

- Number of investigations completed.
- Training provided.
- Number of cases sufficient or accepted for prosecution.

Output measures:

- Number of investigations requested and completed.
- Amount of training requested and provided.

ADMINISTRATION – Director’s Office

Objective: *To provide policy direction and final regulatory decisions for the Department of Insurance.*

Strategies:

- Execute the policy initiatives of the governor and the legislature.
- Maintain a constructive relationship with the legislature and other state agencies.
- Coordinate regulatory actions with the Department of Finance.
- Provide policy guidance and coordinate the creation and execution of the Department’s strategic plan.
- Assure performance of the department’s objectives.
- Provide Human Resource functions to assist in attaining qualified staff.

Outcome measures:

- Achievement of Department plan and objectives.

Output measures:

- Number of performance audit exceptions/issues.
- Completion of objectives.

Objective: ***To promote a healthy insurance market in the state of Idaho.***

Strategies:

- Work with the Department of Commerce, insurance producers, insurers and consumers to identify the factors that will make Idaho an attractive state for the insurance industry.
- Coordinate the dissemination of information.
- Continuously monitor Department of Insurance operations to provide a consistent, simplified and effective regulatory system.
- Work with the Governor and legislature to enhance the insurance market.

Outcome measures:

- Satisfaction of consumers and the insurance industry with the insurance market in Idaho.
- A more informed public, industry and legislature regarding the role of the department and insurance related issues.

Output measures:

- Number of desirable improvements identified.
- Number of improvements achieved.
- Number of contacts with groups and individuals to actively disseminate information.

ADMINISTRATION – Supporting Services Bureau

Objective: *To provide effective and efficient financial, information and support services for the regulatory program.*

Strategies:

- Request adequate funding for attaining program goals.
-
- Provide assistance in acquisitions of materials and services to accomplish program goals.
- Maintain facilities and work environment.
- Provide integrated information systems for all operating units.
- Provide effective and efficient record management.

Outcome measures:

- Satisfaction by regulatory programs of support received.
- Number of audit exceptions/issues.
- Sufficient operating revenues and appropriations.
- Acceptance of technology plans by Department of Administration.
- Degree of integration and compatibility with other state systems.

Output measures:

- Adherence to plans and budgets.

PROGRAM EVALUATION

This strategic plan is designed as a living document. The Department assumes that circumstances will change during the course of the next five years and that operational improvements within the Department will create a need for revised objectives. As a result, the Department intends to completely re-evaluate the plan on at least a semi-annual basis during the first two years and annually thereafter.

The need for a strategic vision of the insurance industry and its effect on consumers that is as accurate and comprehensive as possible is critical. Therefore, the department will meet regularly with consumers and industry representatives as a means of assuring that the Department's strategic vision statement remains accurate and that it is the perception of others that the Department's goals and objectives are being equitably, effectively and efficiently executed.

In the normal course of the Department's operations, the goals and objectives set out in this plan will be incorporated in the personal plans of each of the managers and staff of the Department of Insurance. The personal plans of each Department employee will be reviewed at least quarterly. This system will provide a quarterly evaluation of the Department's internal perception of the effectiveness of the plan.

Revisions to the plan will reflect the results of the internal review of and external comments on the Department's performance of the plan.